



CITY OF MATLOSANA

**Annual Financial Statements
for the year ended 30 June 2012**

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

General Information

| | |
|--|---|
| Legal form of entity | Municipality |
| Nature of business and principal activities | <p>To within its financial and administrative capacity :</p> <ul style="list-style-type: none">-provide democratic and accountable government for the community of Matlosana;-to ensure the provision of services to the community in a sustainable manner;-to promote social and economic development;-to promote a safe and healthy environment; and <p>To encourage the involvement of the community and community organizations in the matters of the municipality.</p> <p>Legislation governing the operations of the municipality includes but are not limited to the following:</p> <ul style="list-style-type: none">-The Constitution of the Republic of South Africa, 1996 and specifically Chapter 7-Local Government: Municipal Structures Act 117 of 1998-Local Government: Municipal Systems Act 32 of 2000-Local Government: Municipal Finance Management Act 56 of 2003 |
| Mayoral committee | |
| Executive Mayor | M.K. Khauoe (Chairperson) |
| Councillors | M.M.S. Lee G.R. Kgosi M.E. Mthimkulu L.V. Rothmans G.C. Mbobo M.L. Mothibedi M.E. Kgaile R.A. Matsepe N.S. Mendela P.R. Poee |
| Accounting Officer | E.T. Motsemme |
| Chief Finance Officer (CFO) | M. K. Kgauwe |
| Registered office | Bram Fischer Street Klerksdorp 2571 |
| Business address | Bram Fischer Street Klerksdorp 2571 |
| Postal address | P.O. Box 99 Klerksdorp 2570 |
| Bankers | ABSA Bank Ltd |
| Auditors | Auditor General |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature :

| Index | Page |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 297 |
| Statement of Financial Position | 298 |
| Statement of Financial Performance | 299 |
| Statement of Changes in Net Assets | 300 |
| Cash Flow Statement | 301 |
| Accounting Policies | 302-317 |
| Notes to the Annual Financial Statements | 318-346 |
| The following supplementary information does not form part of the annual financial statements and is unaudited : | |
| Detailed Income statement | 347 |
| Appendixes: | |
| Appendix A: Schedule of External loans | 348 |
| Appendix B: Analysis of Property, Plant and Equipment | 349-351 |
| Appendix C: Segmental analysis of Property, Plant and Equipment | 352 |
| Appendix D: Segmental Statement of Financial Performance | 353 |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure) | 354 |
| Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) | 355 |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 356 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Index

Abbreviations

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MMC | Member of the Mayoral Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 293 to 356 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:



Accounting Officer
E.T. Motsemme

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

| Figures in Rand | Note(s) | 2012 | 2011 |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 6 | 38 711 608 | 44 664 689 |
| Receivables from exchange transactions | 7 | 3 480 996 | 9 622 849 |
| Consumer debtors | 8 | 64 692 676 | 60 568 262 |
| Other receivables | 5 | 21 332 | 17 603 |
| Cash and cash equivalents | 9 | 65 040 858 | 22 540 456 |
| | | 171 947 470 | 137 413 859 |
| Non-Current Assets | | | |
| Investment property | 2 | 134 833 400 | 134 833 400 |
| Property, plant and equipment | 3 | 2 221 234 759 | 2 256 367 451 |
| Other financial assets | 4 | 21 623 223 | 18 835 388 |
| Other receivables | 5 | 231 914 | 256 153 |
| | | 2 377 923 296 | 2 410 292 392 |
| Total Assets | | 2 549 870 766 | 2 547 706 251 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 11 | 18 811 198 | 16 370 619 |
| Payables from exchange transactions | 14 | 280 557 917 | 256 644 984 |
| VAT payable | 15 | 52 749 080 | 30 045 576 |
| Unspent conditional grants and receipts | 12 | 76 044 287 | 15 220 774 |
| Provisions | 13 | 310 054 718 | 299 544 623 |
| Consumer deposits | | 23 312 820 | 21 506 788 |
| | | 761 530 020 | 639 333 364 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 11 | 128 239 941 | 147 569 522 |
| Total Liabilities | | 889 769 961 | 786 902 886 |
| Net Assets | | 1 660 100 805 | 1 760 803 365 |
| Net Assets | | | |
| Reserves | | | |
| Housing development fund | | 5 125 928 | 5 125 928 |
| Accumulated surplus | | 1 654 974 877 | 1 755 677 437 |
| Total Net Assets | | 1 660 100 805 | 1 760 803 365 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

| Figures in Rand | Note(s) | 2012 | 2011 |
|-----------------------------|---------|----------------------|----------------------|
| Revenue | 17 | 1 217 191 171 | 1 146 875 623 |
| Other income | | 103 000 692 | 213 838 727 |
| Operating expenses | | (1 447 241 083) | (1 602 171 985) |
| Operating deficit | | (127 049 220) | (241 457 635) |
| Investment revenue | 25 | 42 848 631 | 58 725 094 |
| Finance costs | 27 | (19 402 163) | (19 460 557) |
| Deficit for the year | | (103 602 752) | (202 193 098) |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

| Figures in Rand | Housing Development Fund | Accumulated surplus | Total net assets |
|---|--------------------------------|------------------------|----------------------|
| Balance at 01 July 2010 | 5 125 928 | 1 890 181 535 | 1 895 307 463 |
| Changes in net assets | | | |
| Investment properties previously excluded (prior year adjustment) | - | 67 689 000 | 67 689 000 |
| Net income (losses) recognised directly in net assets | - | 67 689 000 | 67 689 000 |
| Deficit for the year (after impairment adjustment) | - | (202 193 098) | (202 193 098) |
| Total recognised income and expenses for the year | - | (134 504 098) | (134 504 098) |
| Total changes | - | (134 504 098) | (134 504 098) |
| Balance at 01 July 2011 | 5 125 928 | 1 758 577 629 | 1 763 703 557 |
| Changes in net assets | | | |
| Deficit for the year | - | (103 602 752) | (103 602 752) |
| Total changes | - | (103 602 752) | (103 602 752) |
| Balance at 30 June 2012 | 5 125 928 | 1 654 974 877 | 1 660 100 805 |

Note(s)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

| Figures in Rand | Note(s) | 2012 | 2011 |
|---|-----------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 731 965 652 | 991 386 292 |
| Grants | | 352 580 997 | 347 708 049 |
| Interest income | | 42 848 631 | 58 725 094 |
| Other receipts | | 103 000 692 | 275 299 276 |
| | | 1 230 395 972 | 1 673 118 711 |
| Payments | | | |
| Employee costs | | (410 327 948) | (368 762 243) |
| Suppliers | | (626 727 159) | (1 109 844 785) |
| Finance costs | | (19 402 163) | (19 460 557) |
| | | (1 056 457 270) | (1 498 067 585) |
| Net cash flows from operating activities | 31 | 173 938 702 | 175 051 126 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (113 588 005) | (215 785 835) |
| Purchase of financial assets | | - | (1 418 084) |
| Proceeds from sale of financial assets | | (2 787 835) | - |
| Proceeds from sale of other receivables | | 20 510 | 19 706 |
| Net cash flows from investing activities | | (116 355 330) | (217 184 213) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (16 889 002) | 19 497 557 |
| Movement in consumer deposits | | 1 806 032 | 853 394 |
| Net cash flows from financing activities | | (15 082 970) | 20 350 951 |
| Net increase/(decrease) in cash and cash equivalents | | 42 500 402 | (21 782 136) |
| Cash and cash equivalents at the beginning of the year | | 22 540 456 | 44 322 592 |
| Cash and cash equivalents at the end of the year | 9 | 65 040 858 | 22 540 456 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value at reporting date.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Investment property (continued)

cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|-------------------------------------|---------------------|
| Furniture and fixtures | 7 - 10 years |
| Infrastructure | |
| • Roads and paving | 10 to 30 years |
| • Electricity | 20 to 30 years |
| • Wastewater network | 15 to 20 years |
| • Water network | 15 to 20 years |
| Other vehicles | 3 to 20 years |
| Other equipment | 5 to 10 years |
| Specialised plant and machinery | 5 to 15 years |
| Other property, plant and equipment | 3 to 15 years |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.11 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.3. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.17 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.22 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees :

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.27 Retirement benefits (continued)

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

1.28 Going concern

These annual financial statements have been prepared on a going concern basis.

1.29 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

2. Investment property

| | 2012 | | | 2011 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 134 833 400 | - | 134 833 400 | 134 833 400 | - | 134 833 400 |

Reconciliation of investment property - 2012

| | Opening balance | Total |
|---------------------|--------------------|-------------|
| Investment property | 134 833 400 | 134 833 400 |

Reconciliation of investment property - 2011

| | Opening balance | Total |
|---------------------|--------------------|-------------|
| Investment property | 134 833 400 | 134 833 400 |

The opening balance of investment property was restated to include items that were previously not accounted for amounting to R 67 689 000.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment

| | 2012 | | | 2011 | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Buildings | 300 298 749 | (43 117 213) | 257 181 536 | 290 692 881 | (38 394 255) | 252 298 626 |
| Infrastructure | 2 510 530 671 | (710 360 169) | 1 800 170 502 | 2 413 179 784 | (579 615 591) | 1 833 564 193 |
| Community | 106 025 136 | (34 429 151) | 71 595 985 | 99 655 224 | (31 492 475) | 68 162 749 |
| Heritage | 1 699 376 | (84 725) | 1 614 651 | 1 691 809 | (84 725) | 1 607 084 |
| Other property, plant and equipment | 312 537 112 | (221 865 027) | 90 672 085 | 303 298 343 | (202 563 544) | 100 734 799 |
| Total | 3 231 091 044 | (1 009 856 285) | 2 221 234 759 | 3 108 518 041 | (852 150 590) | 2 256 367 451 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

| | Opening balance | Additions | Transfers | Revaluations | Other changes, movements | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|-----------|--------------|--------------------------|----------------------|----------------------|
| Buildings | 252 298 626 | 620 868 | - | - | 8 985 000 | (4 722 958) | 257 181 536 |
| Infrastructure | 1 833 564 193 | 97 350 888 | - | - | - | (130 744 579) | 1 800 170 502 |
| Community | 68 162 749 | 6 369 913 | - | - | - | (2 936 677) | 71 595 985 |
| Heritage | 1 607 084 | 7 567 | - | - | - | - | 1 614 651 |
| Other property, plant and equipment | 100 734 799 | 9 238 769 | - | - | - | (19 301 483) | 90 672 085 |
| | 2 256 367 451 | 113 588 005 | - | - | 8 985 000 | (157 705 697) | 2 221 234 759 |

Reconciliation of property, plant and equipment - 2011

| | Opening balance | Additions | Transfers | Revaluations | Other changes, movements | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|---------------------|--------------------|--------------------------|----------------------|----------------------|
| Buildings | 149 680 717 | 11 608 772 | (5 021 636) | 143 084 122 | (42 677 670) | (4 375 679) | 252 298 626 |
| Infrastructure | 2 079 009 201 | 158 659 316 | (55 900 053) | - | (199 603 725) | (148 600 546) | 1 833 564 193 |
| Community | 55 886 945 | 18 540 562 | (3 576 576) | - | - | (2 688 182) | 68 162 749 |
| Heritage | 1 485 811 | 121 273 | - | - | - | - | 1 607 084 |
| Other property, plant and equipment | 94 429 917 | 26 855 912 | (917 660) | - | - | (19 633 370) | 100 734 799 |
| | 2 380 492 591 | 215 785 835 | (65 415 925) | 143 084 122 | (242 281 395) | (175 297 777) | 2 256 367 451 |

Reconciliation of Work-in-Progress 2012

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------|---------------------------|---------------------------|--------------------|
| Opening balance | 64 223 972 | 7 619 079 | 906 717 | 72 749 768 |
| Additions/capital expenditure | 93 426 190 | 2 142 151 | 935 303 | 96 503 644 |
| Transferred to completed items | (52 376 320) | - | - | (52 376 320) |
| | 105 273 842 | 9 761 230 | 1 842 020 | 116 877 092 |

Reconciliation of Work-in-Progress 2011

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------|---------------------------|---------------------------|-------------------|
| Opening balance | 55 900 056 | 3 576 577 | 5 939 297 | 65 415 930 |
| Additions/capital expenditure | 68 030 938 | 10 331 381 | 3 491 942 | 81 854 261 |
| Transferred to completed items | (59 707 022) | (6 288 878) | (8 524 522) | (74 520 422) |
| | 64 223 972 | 7 619 080 | 906 717 | 72 749 769 |

4. Other financial assets

Held to maturity

| | | |
|------------------------|------------|------------|
| Other financial assets | 21 623 223 | 18 835 388 |
|------------------------|------------|------------|

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

4. Other financial assets (continued)

Non-current assets

| | | |
|------------------|------------|------------|
| Held to maturity | 21 623 223 | 18 835 388 |
|------------------|------------|------------|

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

List of investments held

| | | |
|--|-------------------|-------------------|
| Sanlam : Capital guaranteed fund - 040644725X0 | 5 764 535 | 5 458 953 |
| Sanlam : Capital guaranteed fund - 040710409X0 | 386 078 | 365 721 |
| Nedcor : FK183349 | 15 472 610 | 13 010 715 |
| | 21 623 223 | 18 835 389 |

The Nedcor investment is encumbered by a pledge of R 3 700 000 as disclosed in note 12.

5. Other receivables

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies.

Loan to Klerksdorp Rolbalklub

| | | |
|----------------------------|----------------|----------------|
| Short term portion of loan | 21 332 | 17 603 |
| Long term portion of loan | 231 914 | 256 153 |
| | 253 246 | 273 756 |

6. Inventories

| | | |
|--|-------------------|-------------------|
| Consumable stores | 33 840 802 | 38 927 163 |
| Water | 1 372 538 | 1 747 366 |
| Nature reserve - wildlife stock | 2 670 674 | 3 186 803 |
| Museum stores - at authorised value | 179 823 | 155 586 |
| Unsold properties held for resale at council resolution or municipal valuation | 647 771 | 647 771 |
| | 38 711 608 | 44 664 689 |

7. Receivables from exchange transactions

| | | |
|--------------------------------|------------------|------------------|
| Deposits | 732 003 | 729 403 |
| Receivables | 1 020 777 | 3 770 395 |
| Market | 388 548 | 927 925 |
| Housing | 11 000 000 | 11 000 000 |
| Housing and housing rentals | 1 123 559 | 1 410 048 |
| Sundry debtors | 45 021 786 | 45 570 073 |
| Less : Provision for bad debts | (55 805 677) | (53 784 995) |
| | 3 480 996 | 9 622 849 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|----------------------|----------------------|
| 8. Consumer debtors | | |
| Gross balances | | |
| Rates | 94 158 120 | 86 127 829 |
| Electricity | 130 096 127 | 91 384 677 |
| Water | 202 999 999 | 162 735 359 |
| Sewerage | 56 822 215 | 50 106 732 |
| Refuse | 57 849 197 | 48 320 451 |
| Other | 241 560 793 | 212 166 881 |
| | 783 486 451 | 650 841 929 |
| Less: Provision for debt impairment | | |
| Rates | (86 603 453) | (78 156 555) |
| Electricity | (119 658 016) | (81 120 834) |
| Water | (186 712 531) | (147 673 931) |
| Sewerage | (52 263 151) | (45 469 271) |
| Refuse | (53 207 734) | (43 848 313) |
| Other | (220 348 890) | (194 004 763) |
| | (718 793 775) | (590 273 667) |
| Net balance | | |
| Rates | 7 554 667 | 7 971 274 |
| Electricity | 10 438 111 | 10 263 843 |
| Water | 16 287 468 | 15 061 428 |
| Sewerage | 4 559 064 | 4 637 461 |
| Refuse | 4 641 463 | 4 472 138 |
| Other | 21 211 903 | 18 162 118 |
| | 64 692 676 | 60 568 262 |
| Rates | | |
| Current (0 -30 days) | 11 995 755 | 13 561 089 |
| 31 - 60 days | 3 307 639 | 3 924 034 |
| 61 - 90 days | 2 341 493 | 3 695 409 |
| 91+ days | 76 513 233 | 64 947 297 |
| Provision for bad debts | (86 603 453) | (78 156 555) |
| | 7 554 667 | 7 971 274 |
| Electricity | | |
| Current (0 -30 days) | 31 822 529 | 26 979 662 |
| 31 - 60 days | 4 330 817 | 3 872 539 |
| 61 - 90 days | 5 305 900 | 5 006 186 |
| 91 + days | 88 636 881 | 55 526 290 |
| Provision for bad debts | (119 658 016) | (81 120 834) |
| | 10 438 111 | 10 263 843 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|--------------------|--------------------|
| 8. Consumer debtors (continued) | | |
| Water | | |
| Current (0 -30 days) | 16 735 926 | 20 514 230 |
| 31 - 60 days | 7 323 925 | 5 910 722 |
| 61 - 90 days | 7 204 431 | 6 559 816 |
| 91 + days | 171 735 717 | 129 750 591 |
| Provision for bad debts | (186 712 531) | (147 673 931) |
| | 16 287 468 | 15 061 428 |
| Sewerage | | |
| Current (0 -30 days) | 4 373 561 | 4 289 410 |
| 31 - 60 days | 1 755 618 | 1 870 732 |
| 61 - 90 days | 1 419 467 | 1 581 283 |
| 91 + days | 49 273 569 | 42 365 307 |
| Provision for bad debts | (52 263 151) | (45 469 271) |
| | 4 559 064 | 4 637 461 |
| Refuse | | |
| Current (0 -30 days) | 3 472 148 | 3 277 994 |
| 31 - 60 days | 1 674 782 | 1 650 126 |
| 61 - 90 days | 1 485 508 | 1 365 006 |
| 91 + days | 51 216 759 | 42 027 325 |
| Provision for bad debts | (53 207 734) | (43 848 313) |
| | 4 641 463 | 4 472 138 |
| Other | | |
| Current (0 -30 days) | 12 337 324 | 12 014 134 |
| 31 - 60 days | 5 820 562 | 5 939 321 |
| 61 - 90 days | 4 652 159 | 7 879 378 |
| 91 + days | 218 750 748 | 186 334 048 |
| Provision for bad debts | (220 348 890) | (194 004 763) |
| | 21 211 903 | 18 162 118 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 63 089 014 | 55 818 086 |
| 31 - 60 days | 19 599 161 | 20 130 453 |
| 61 - 90 days | 19 127 807 | 22 303 667 |
| 91 + days | 600 343 924 | 469 088 101 |
| | 702 159 906 | 567 340 307 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|----------------------|----------------------|
| 8. Consumer debtors (continued) | | |
| Industrial/ commercial | | |
| Current (0 -30 days) | 12 479 101 | 10 792 642 |
| 31 - 60 days | 3 036 337 | 2 425 082 |
| 61 - 90 days | 3 016 478 | 2 482 603 |
| 91 + days | 54 013 106 | 41 541 151 |
| | 72 545 022 | 57 241 478 |
| National and provincial government | | |
| Current (0 -30 days) | 3 472 748 | 12 035 551 |
| 31 - 60 days | 1 795 075 | 611 940 |
| 61 - 90 days | 531 725 | 1 300 810 |
| 91 + days | 15 016 145 | 10 327 599 |
| | 20 815 693 | 24 275 900 |
| Total | | |
| Current (0 -30 days) | 79 040 863 | 78 646 280 |
| 31 - 60 days | 24 430 573 | 23 167 476 |
| 61 - 90 days | 22 676 009 | 26 087 082 |
| 91 + days | 657 339 007 | 522 941 091 |
| | 783 486 452 | 650 841 929 |
| Less: Provision for debt impairment | (718 793 776) | (590 273 667) |
| | 64 692 676 | 60 568 262 |
| Less: Provision for debt impairment | | |
| Balance at the beginning of the year | (590 273 667) | (689 957 742) |
| Contribution to provision | (128 577 060) | (340 805 454) |
| Debt impairment written off against provision | 56 952 | 440 489 529 |
| | (718 793 775) | (590 273 667) |

The carrying value of consumer debtors approximate fair value.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Cash on hand | 66 500 | 63 500 |
| Bank balances | 15 387 254 | 283 826 |
| Short-term deposits | 49 587 104 | 22 193 130 |
| | 65 040 858 | 22 540 456 |

Section 125(2)b of the MFMA requires that the municipality disclose a summary of all investment and therefore the Short-term deposits are represented as follows :

| | | |
|------------------------------|------------|-----------|
| ABSA call account 4078266177 | 3 904 618 | - |
| ABSA call account 4073033854 | 45 191 044 | 126 538 |
| ABSA call account 9090072264 | 363 068 | 1 243 812 |
| ABSA call account 9056825047 | 43 238 | 1 747 624 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|-------------------|-------------------|
| 9. Cash and cash equivalents (continued) | | |
| ABSA deposit account 2069458868 | - | 18 383 547 |
| FNB deposit account 71037411669 | 29 652 | 28 129 |
| FNB deposit account 70379020873 | 14 000 | 14 000 |
| FNB deposit account 71039866474 | 41 484 | 39 388 |
| Investec call account 1400057452 | - | 610 092 |
| | 49 587 104 | 22 193 130 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|------------------|------------------|--------------------|----------------|---------------------|
| | 30 June 2012 | 30 June 2011 | 30 June 2010 | 30 June 2012 | 30 June 2011 | 30 June 2010 |
| ABSA Bank - cheque account - 4060008684 | 4 460 443 | - | 1 273 492 | 3 134 799 | - | 391 292 |
| ABSA Bank - cheque account - 01000100176 | 4 626 409 | 2 863 230 | (4 673 377) | 11 977 034 | 739 249 | (29 922 418) |
| ABSA Bank - cheque account - 950164379 (Council water) | 179 314 | 326 744 | 2 011 587 | 66 398 | 109 901 | 1 942 496 |
| ABSA Bank - cheque account - 950000090 (Market) | 2 514 814 | 1 663 573 | 847 156 | 92 062 | (686 197) | (1 454 043) |
| ABSA Bank - call account - 4071085841 (Housing) | 116 961 | 120 871 | 123 740 | 116 961 | 120 871 | 123 740 |
| Total | 11 897 941 | 4 974 418 | (417 402) | 15 387 254 | 283 824 | (28 918 933) |

10. Housing development fund

| | | |
|-----------------------|-----------|-----------|
| Unappropriate surplus | 5 125 928 | 5 125 928 |
|-----------------------|-----------|-----------|

The housing development fund is represented by the following assets and liabilities :

| | | |
|---------------|-----------|-----------|
| Bank and cash | 5 125 928 | 5 125 928 |
|---------------|-----------|-----------|

11. Other financial liabilities

Held at amortised cost

| | | |
|---------------|-------------|-------------|
| Annuity loans | 147 051 139 | 163 940 141 |
|---------------|-------------|-------------|

Refer to appendix A for more detail on long-term liabilities.

Non-current liabilities

| | | |
|-------------------|-------------|-------------|
| At amortised cost | 128 239 941 | 147 569 522 |
|-------------------|-------------|-------------|

Current liabilities

| | | |
|-------------------|--------------------|--------------------|
| At amortised cost | 18 811 198 | 16 370 619 |
| | 147 051 139 | 163 940 141 |

An amount of R 3 700 000, covered by the Nedcor Investment FK183349, was pledged as security for loan NW1374/2 at DBSA.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|-------------------|-------------------|
| 12. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| MIG | 61 174 063 | 10 710 431 |
| National Electricity Regulator | 8 806 412 | 345 490 |
| FMG | 385 808 | 974 052 |
| DWAF | 276 464 | 276 464 |
| MSIG | 571 047 | 262 344 |
| EPWP | 3 690 288 | 1 955 700 |
| Fire Grant | 500 594 | 105 688 |
| Library grant | 639 611 | 590 605 |
| | 76 044 287 | 15 220 774 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Provisions

Reconciliation of provisions - 2012

| | Opening Balance | Additions | Total |
|-------------------------------------|--------------------|-------------------|--------------------|
| Environmental rehabilitation | 30 126 524 | 2 731 575 | 32 858 099 |
| Continuous medical aid contribution | 125 269 449 | 6 424 376 | 131 693 825 |
| Section 57 managers bonuses | 820 605 | - | 820 605 |
| Long service awards | 143 328 045 | 1 354 144 | 144 682 189 |
| | 299 544 623 | 10 510 095 | 310 054 718 |

Reconciliation of provisions - 2011

| | Opening Balance | Additions | Total |
|-------------------------------------|--------------------|-------------------|--------------------|
| Environmental rehabilitation | 27 401 597 | 2 724 927 | 30 126 524 |
| Continuous medical aid contribution | 96 430 272 | 28 839 177 | 125 269 449 |
| Section 57 managers bonuses | 791 326 | 29 279 | 820 605 |
| Long service awards | 129 008 375 | 14 319 670 | 143 328 045 |
| | 253 631 570 | 45 913 053 | 299 544 623 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|----------------------|----------------------|
| 14. Payables from exchange transactions | | |
| Trade payables | 88 478 176 | 59 440 984 |
| Payments received in advanced | 39 292 860 | 66 699 469 |
| Accrued leave pay | 43 261 509 | 38 407 086 |
| Sundry creditors | 109 408 411 | 91 976 573 |
| Housing : Absa bank account | 116 961 | 120 872 |
| | 280 557 917 | 256 644 984 |
| 15. VAT payable | | |
| Tax refunds payables | 52 749 080 | 30 045 576 |
| 16. Consumer deposits | | |
| Electricity and water | 23 312 820 | 21 506 788 |
| Gaurenteers held : | | |
| In lieu of debtors for the Fresh Produce Market | 400 000 | 400 000 |
| In lieu of electricity and water deposits | 1 926 198 | 1 926 198 |
| | 2 326 198 | 2 326 198 |
| 17. Revenue | | |
| Rendering of services | 4 839 | 48 351 |
| Property rates | 183 246 897 | 181 286 149 |
| Service charges | 645 295 263 | 582 695 319 |
| Levies | 2 505 993 | 2 269 838 |
| Rental of facilities & equipment | 8 536 746 | 5 649 498 |
| Fines | 6 557 462 | 8 387 312 |
| Licences and permits | 4 495 881 | 3 823 203 |
| Government grants & subsidies | 352 580 997 | 350 041 177 |
| Market dues | 13 934 507 | 12 276 215 |
| Miscellaneous other revenue | 32 586 | 398 561 |
| | 1 217 191 171 | 1 146 875 623 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Rendering of services | 4 839 | 48 351 |
| Service charges | 645 295 263 | 582 695 319 |
| Rental of facilities & equipment | 8 536 746 | 5 649 498 |
| Licences and permits | 4 495 881 | 3 823 203 |
| Miscellaneous other revenue | 32 586 | 398 561 |
| | 658 365 315 | 592 614 932 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

17. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

| | | |
|----------------|-------------|-------------|
| Property rates | 183 246 897 | 181 286 149 |
| Fines | 6 557 462 | 8 387 312 |

Transfer revenue

| | | |
|-------------------------------|-------------|-------------|
| Government grants & subsidies | 352 580 997 | 350 041 177 |
| Levies | 2 505 993 | 2 269 838 |
| Market dues | 13 934 507 | 12 276 215 |

| | | |
|--|--------------------|--------------------|
| | 558 825 856 | 554 260 691 |
|--|--------------------|--------------------|

18. Property rates

Rates received

| | | |
|----------------|-------------|-------------|
| Residential | 159 596 703 | 157 865 220 |
| State | 10 706 617 | 11 331 246 |
| Indigent | 12 905 522 | 12 051 628 |
| Sundry debtors | 38 055 | 38 055 |

| | | |
|--|--------------------|--------------------|
| | 183 246 897 | 181 286 149 |
|--|--------------------|--------------------|

Valuations

| | | |
|---------------------|----------------|----------------|
| Residential | 29 399 639 000 | 29 399 639 000 |
| State | 481 872 000 | 481 872 000 |
| Municipal and farms | 1 262 138 000 | 1 262 138 000 |
| Agricultural | 182 908 000 | 182 908 000 |

| | | |
|--|-----------------------|-----------------------|
| | 31 326 557 000 | 31 326 557 000 |
|--|-----------------------|-----------------------|

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality.

19. Service charges

| | | |
|---------------------------------|-------------|-------------|
| Sale of electricity | 438 708 631 | 390 520 615 |
| Sale of water | 160 917 924 | 150 065 275 |
| Sewerage and sanitation charges | 1 676 639 | 2 206 509 |
| Refuse removal | 43 992 069 | 39 902 920 |

| | | |
|--|--------------------|--------------------|
| | 645 295 263 | 582 695 319 |
|--|--------------------|--------------------|

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|--------------------|--------------------|
| 20. Government grants and subsidies | | |
| Equitable share | 298 960 000 | 283 801 049 |
| MIG | 49 887 290 | 57 847 983 |
| NERSA | 258 078 | 3 493 561 |
| FMG | 1 838 244 | 853 621 |
| MSIG | 481 297 | 1 033 136 |
| Fire grant | 805 094 | 2 580 312 |
| Library grant | 350 994 | 431 515 |
| | 352 580 997 | 350 041 177 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 240 (2011: R 179), which is funded from the grant.

MIG

| | | |
|---|-------------------|-------------------|
| Balance unspent at beginning of year | 10 710 431 | 8 106 413 |
| Current-year receipts | 100 609 000 | 60 452 000 |
| Conditions met - transferred to revenue | (50 145 368) | (57 847 982) |
| | 61 174 063 | 10 710 431 |

Conditions still to be met - remain liabilities (see note 12)

NERSA

| | | |
|---|------------------|----------------|
| Balance unspent at beginning of year | 345 490 | 3 839 051 |
| Current-year receipts | 8 719 000 | - |
| Conditions met - transferred to revenue | (258 078) | (3 493 561) |
| | 8 806 412 | 345 490 |

Conditions still to be met - remain liabilities (see note 12)

FMG

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 974 052 | 827 673 |
| Current-year receipts | 1 250 000 | 1 000 000 |
| Conditions met - transferred to revenue | (1 838 244) | (853 621) |
| | 385 808 | 974 052 |

Conditions still to be met - remain liabilities (see note 12)

DWAF

| | | |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 276 464 | 276 464 |
|--------------------------------------|---------|---------|

Conditions still to be met - remain liabilities (see note 12)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

20. Government grants and subsidies (continued)

MSIG

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 262 344 | 545 480 |
| Current-year receipts | 790 000 | 750 000 |
| Conditions met - transferred to revenue | (481 297) | (1 033 136) |
| | 571 047 | 262 344 |

Conditions still to be met - remain liabilities (see note 12)

EPWP

| | | |
|--------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 1 955 700 | 250 700 |
| Current-year receipts | 1 734 588 | 1 705 000 |
| | 3 690 288 | 1 955 700 |

Conditions still to be met - remain liabilities (see note 12)

Provide explanations of conditions still to be met and other relevant information

Fire

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 105 688 | 2 686 000 |
| Current-year receipts | 1 200 000 | - |
| Conditions met - transferred to revenue | (805 094) | (2 580 312) |
| | 500 594 | 105 688 |

Conditions still to be met - remain liabilities (see note 12).

Library

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 590 605 | 1 022 120 |
| Current-year receipts | 400 000 | - |
| Conditions met - transferred to revenue | (350 994) | (431 515) |
| | 639 611 | 590 605 |

Conditions still to be met - remain liabilities (see note 12).

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|--------------------|--------------------|
| 21. General expenses | | |
| Advertising | 3 163 599 | 4 377 998 |
| Assessment rates & municipal charges | 2 655 975 | 2 534 327 |
| Auditors remuneration | 5 979 368 | 5 848 128 |
| Bank charges | 5 595 951 | 5 091 836 |
| Cleaning | 572 | - |
| Commission paid | 2 074 159 | 3 749 516 |
| Consulting and professional fees | 12 739 253 | 17 495 636 |
| Consumables | 1 609 731 | 2 335 984 |
| Discount allowed | 5 820 610 | 5 272 001 |
| Entertainment | 446 221 | 1 106 589 |
| Fines and penalties | 319 700 | 346 250 |
| Animal Costs | 5 060 | 5 481 |
| Gifts | 5 461 | 32 733 |
| Hire | 1 621 277 | 2 247 466 |
| Insurance | 2 581 302 | 5 523 385 |
| Community development and training | 894 345 | 4 921 135 |
| Conferences and seminars | 470 531 | 1 145 852 |
| Lease rentals on operating lease | 3 585 584 | 4 394 758 |
| Marketing | 1 034 640 | 5 354 294 |
| Promotions and sponsorships | 196 895 | 234 020 |
| Magazines, books and periodicals | 186 920 | 293 308 |
| Medical expenses | 15 007 | 131 244 |
| Motor vehicle expenses | 31 095 194 | 33 441 230 |
| Pest control | 29 920 | 142 032 |
| Postage and courier | 3 266 671 | 2 908 136 |
| Printing and stationery | 2 757 147 | 3 794 741 |
| Promotions | - | 998 814 |
| Research and development costs | - | 153 660 |
| Royalties and license fees | 4 683 | 30 621 |
| Security (Guarding of municipal property) | 6 742 836 | 6 562 675 |
| Staff welfare | - | 5 856 |
| Subscriptions and membership fees | 16 684 | 4 492 |
| Telephone and fax | 7 008 745 | 5 819 415 |
| Transport and freight | 73 795 | 82 258 |
| Training | 2 574 999 | 2 711 262 |
| Travel - local | 118 189 | 115 271 |
| Refuse | 3 288 265 | 3 084 810 |
| Title deed search fees | 171 401 | 248 825 |
| Electricity | 1 572 047 | 981 287 |
| Other miscellaneous | 74 481 084 | 84 741 114 |
| Billing charges | 22 652 | 931 459 |
| Chemicals | 1 389 508 | 1 098 659 |
| | 185 615 981 | 220 298 558 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|--------------------|--------------------|
| 22. Employee related costs | | |
| Basic | 245 151 386 | 222 937 651 |
| Medical aid - company contributions | 33 499 467 | 54 191 040 |
| UIF | 2 363 889 | 2 177 392 |
| WCA | 3 031 686 | - |
| Other payroll levies | 2 961 844 | 2 592 777 |
| Leave pay provision charge | 4 854 423 | 5 964 103 |
| Travel, motor car, accommodation, subsistence and other allowances | 2 379 487 | 4 568 520 |
| Overtime payments | 18 554 866 | 19 426 016 |
| Long-service awards | 1 354 144 | 14 348 950 |
| 13th Cheques | 19 329 067 | 17 488 480 |
| Housing benefits and allowances | 1 471 726 | 1 485 245 |
| Group insurance | 794 155 | 716 142 |
| Pension fund | 50 449 394 | 46 479 816 |
| Redemption of leave | 3 907 030 | 2 056 470 |
| Other payments | 2 177 673 | 3 394 094 |
| | 392 280 237 | 397 826 696 |
| Remuneration of municipal manager | | |
| Annual remuneration. (Appointed in Feb 2012) | 374 666 | 1 015 520 |
| Remuneration of Chief Finance Officer | | |
| Annual Remuneration. (Appointed in May 2012) | 142 561 | - |
| Director municipal & social services : Section 57 appointment | | |
| Annual remuneration (Vacant from March 2012) | 581 745 | 754 462 |
| Director Corporate Services : Section 57 appointment | | |
| Annual remuneration (Appointed April 2012) | 225 240 | 833 576 |
| Director Macro City Planning & Development : Section 57 appointment | | |
| Annual remuneration | 581 874 | 911 121 |
| Director Strategic Planning, Monitoring and Control : Section 57 appointment | | |
| Annual remuneration (Appointed April 2012) | 225 240 | - |
| Director Infrastructure | | |
| Annual remuneration (Vacant from January 2012) | 431 585 | 789 291 |
| Director Electrical and Mechanical Engineering | | |
| Annual remuneration | 225 240 | - |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|--------------------|--------------------|
| 23. Remuneration of councillors | | |
| Executive Mayor | 673 095 | 661 076 |
| Mayoral Committee Members | 5 702 225 | 5 228 909 |
| Speaker | 536 405 | 515 270 |
| Councillors | 11 611 711 | 10 342 560 |
| | 18 523 436 | 16 747 815 |
| In-kind benefits | | |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | |
| The Mayor has the use of a Council owned vehicle for official duties. | | |
| The Executive Mayor has one full-time bodyguard/driver. | | |
| 24. Debt impairment | | |
| Contributions to debt impairment provision | 130 540 790 | (136 948 022) |
| Debts impaired | 56 952 | 440 489 529 |
| | 130 597 742 | 303 541 507 |
| 25. Investment revenue | | |
| Interest revenue | | |
| Bank | 931 583 | 2 192 524 |
| Interest charged on trade and other receivables | 36 723 920 | 51 134 307 |
| Interest on investments | 5 193 128 | 5 398 263 |
| | 42 848 631 | 58 725 094 |
| 26. Depreciation and amortisation | | |
| Property, plant and equipment | 157 705 694 | 175 297 775 |
| 27. Finance costs | | |
| Non-current borrowings | 19 402 163 | 19 460 557 |
| 28. Auditors' remuneration | | |
| Fees | 5 979 368 | 5 848 128 |
| 29. Contracted services | | |
| Other Contractors | 54 626 526 | 36 892 302 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---------------------------|--------------------|--------------------|
| 30. Bulk purchases | | |
| Electricity | 339 934 897 | 275 834 974 |
| Water | 136 319 013 | 130 009 916 |
| | 476 253 910 | 405 844 890 |

Electricity and water are supplied by Eskom and Midvaal Water Company.

31. Cash generated from operations

| | | |
|---|--------------------|--------------------|
| Deficit | (103 602 752) | (202 193 098) |
| Adjustments for: | | |
| Depreciation and amortisation | 157 705 694 | 175 297 775 |
| Impairment reversals | - | (28 127 560) |
| Debt impairment | 130 597 742 | 303 541 507 |
| Movements in provisions | 10 510 095 | 45 913 053 |
| Other non-cash items and prior year adjustments | (6 084 803) | (269 865 220) |
| Changes in working capital: | | |
| Inventories | 5 953 081 | (12 895 975) |
| Receivables from exchange transactions | 6 141 853 | 52 085 877 |
| Consumer debtors | (134 722 156) | (38 101 276) |
| Payables from exchange transactions | 23 912 931 | 152 624 609 |
| VAT | 22 703 504 | (895 439) |
| Unspent conditional grants and receipts | 60 823 513 | (2 333 127) |
| | 173 938 702 | 175 051 126 |

32. Commitments

Authorised capital expenditure

Approved and contracted for

| | | |
|------------------|-------------------|--------------------|
| • Infrastructure | 87 874 548 | 108 551 822 |
| • Community | 1 529 848 | 8 037 433 |
| • Other | 1 916 136 | 5 593 059 |
| | 91 320 532 | 122 182 314 |

This expenditure will be financed from :

| | | |
|---------------------|-------------------|--------------------|
| • External loans | - | 84 312 436 |
| • Government grants | 71 761 468 | 4 000 000 |
| • Own resources | 19 559 064 | 33 869 878 |
| | 91 320 532 | 122 182 314 |

The approved capital expenditure is not shown as committed in 2011 due to the turn-around strategy to improve the liquidity of the municipality.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|------------------|------------------|
| 32. Commitments (continued) | | |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 2 505 078 | 5 036 321 |
| - in second to fifth year inclusive | 841 650 | 3 236 712 |
| | 3 346 728 | 8 273 033 |

Operating lease payments represent rentals payable by the municipality for certain of its office properties, vehicles and office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

33. Contingencies

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in a note of this financial statements, civil proceedings have commenced against the employees concerned to recover an amount of R 2 300. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

City of Matlosana / Toro ya Africa Consultants (Pty) Ltd

Council instituted claims against the defendant for non performance on housing projects in Jouberton and Alabama. - 223 000 000

City of Matlosana / Kgasu Engineering (Pty) Ltd

Council instituted action based on fraudulent representation and incorrect tariffs overpaid to the defendant. - 1 235 775

City of Matlosana / Cybed Trading 0005CC

Legal action instituted by Council against defendant for arrear debt. - 12 000

City of Matlosana / G Wessie

Claim by council against a former employee for equipment not yet returned. 2 300 2 300

City of Matlosana / ZCM Britz

The Council is claiming from defendant for loss of income. Further investigations are in progress. - 61 686

City of Matlosana / KOSH Contractors

Council instituted claims against the contractor for construction of houses which were condemned. - 6 000 000

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|-------------|-------------|
| 33. Contingencies (continued) | | |
| City of Matlosana / Lets Trade | | |
| Council instituted claims against the contractor for construction of houses which were condemned. | - | 10 000 000 |
| City of Matlosana / Raliform Investments (Pty) Ltd | | |
| Council instituted claims against the contractor for construction of houses which were condemned. | 156 000 000 | 156 000 000 |
| City of Matlosana / St Pauls Insurance Company | | |
| A claim by Council for the payment of suretyship and guarantees for work not completed by DGD Construction in Kanana. This matter has been consolidated with the matter above and a settlement agreement has been reached. | - | 1 700 000 |
| City of Matlosana / Reetseng Construction CC | | |
| A claim by Council for the non-delivery of goods paid for. | 276 633 | - |
| City of Matlosana / Zazise Communication CC | | |
| A claim by Council for non payment of money owed by the defendant for advertisement. | 500 000 | - |
| City of Matlosana / Balemi Civils | | |
| A claim by Council for non performance of contract CE58/2/2007/B. | 1 600 000 | - |
| City of Matlosana / Badiboa Building Construction CC | | |
| Council instituted legal action to recover monies as per surety for failure to perform as per tender CE2/2/2010. | 1 200 000 | - |
| City of Matlosana / Mr Masisi | | |
| Council instituted a civil claim against Mr Masisi. The defendants pension fund was instructed to withheld pension monies due in lieu of this case. | 7 822 100 | - |

34. Related parties

Relationships

| | |
|-------------------------------------|--|
| Councillor Douw J | Midvaal Water Company |
| Councillor Makhale S | Midvaal Water Company |
| Councillor Mapane MJ | Midvaal Water Company |
| Councillor Nakedi SL | Midvaal Water Company |
| Councillor Sebuasengwe GL | Midvaal Water Company |
| Councillor Thabanchu OR (Speaker) | Midvaal Water Company |
| Councillor Bondes I | ZMS Management Solutions (Pty) Ltd |
| Councillor Dithejane MC | Lerato Botho Building Electrical Construction CC |

Councillors are members of the board of directors of the Midvaal Water Company (a section 21 company) who supply bulk water to the City of Matlosana. Transactions with Midvaal Water Company amounted to R136 004 567 (2011 : R136 004 567). Midvaal Water Company is a supplier and the transactions are at arm's length.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

34. Related parties (continued)

Councillor Bondes and councillor Bester was related parties to ZMS Management Solutions (Pty) Ltd which supplies debt collection services to the City of Matlosana. ZMS was awarded the work through tender process and expenditure for the year under review amounts to R 6 563 236 (2011 : R 4 323 765)

Councillor Dithejane is a member of Lerato Botho Building Electrical Construction CC which provides construction services that is awarded through the tender process. Expenditure for the current year is R 494 530 (2011 : R 575 181)

GDR provided services to the municipality amounting to R 30 000 in May 2011. The Chief Financial Officer, Mr M Kgauwe, who was appointed in May 2012, was an associate of GDR in May 2011.

35. Prior period errors

The following prior adjustments were effected on the financial statements :

Investment properties to the value of R 67 689 000 that were previously excluded from the list of assets are now accounted for.

Impairment on consumer debtors was previously understated. The financial statements of 2010/2011 has been restated to correct this error.

The effect of the above restatements are summarised below. There is no effect on the 2011/2012 financial year.

Statement of financial position

| | | |
|-----------------------------------|---|--------------|
| Increase in investment properties | - | 67 689 000 |
| Decrease in consumer debtors | - | (67 015 020) |
| Accumulated Surplus or Deficit | - | (673 980) |

Statement of Financial Performance

| | | |
|---|---|------------|
| Increase operating expenses (debt impairment) | - | 67 015 020 |
| Net increase in deficit | - | 67 015 020 |

36. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 11, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

There are no externally imposed capital requirements.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|----------------------|----------------------|
| 36. Risk management (continued) | | |
| There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. | | |
| The gearing ratio at 2012 and 2011 respectively were as follows: | | |
| Total borrowings | | |
| Current Liabilities | 761 530 024 | 639 333 364 |
| Non-current liabilities | 128 239 941 | 147 569 522 |
| | 889 769 965 | 786 902 886 |
| Less: Cash and cash equivalents | 9 65 040 858 | 22 540 456 |
| Net debt | 824 729 107 | 764 362 430 |
| Total equity | 1 660 100 805 | 1 760 129 385 |
| Total capital | 2 484 829 912 | 2 524 491 815 |

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings at variable rate were denominated in Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

36. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2012 | 2011 |
|---------------------------|------------|------------|
| Long term receivables | 21 623 223 | 16 585 264 |
| Consumer debtors | 64 692 676 | 60 568 362 |
| Other receivables | 21 332 | 17 603 |
| Cash and cash equivalents | 64 262 600 | 22 543 324 |

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

37. Going concern

We draw attention to the fact that although the municipality reported a deficit of R103 602 752 at 30 June 2012, the municipality had accumulated surplus of R 1 654 974 877 and that the municipality's total assets exceed its liabilities by R1 660 100 805

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We are experiencing cash flow challenges as a result of low debtors collection rate which has an impact on our ability to pay our creditors timeously. Our ability to continue as a going concern is highly dependant on improvement of collections and management of costs.

38. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date:

39. Unauthorised expenditure

Reconciliation of unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance | 481 003 201 | 326 137 340 |
| Unauthorised expenditure current year | - | 154 865 861 |
| Unauthorised expenditure awaiting authorisation | 481 003 201 | 481 003 201 |

Over expenditure against budget resulted from additional depreciation charges after fair value adjustments were made to infra-structure assets, as well as additional provisions made for impairment of consumer debtors. This unauthorised expenditure for the previous years to the amount of R 154 865 861(2011) and R 324 708 853(2010) was not previously disclosed.

Un-authorised expenditure : Expenses relating to various sponsorships & donations amounting to R1 428 487 are currently being investigated for compliance with Council's mandate and approval.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

39. Unauthorised expenditure (continued)

During 2010 an amount of R 21 459 111 was spent on the repairs of defects houses, which do not fall within the powers and functions allocated by the member of the executive committee of the department of local government in the province.

40. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

| | | |
|--|-------------------|------------------|
| Opening balance | 5 720 251 | 4 640 183 |
| Fruitless and wasteful expenditure current year | 9 688 035 | 1 080 068 |
| Fruitless and wasteful expenditure awaiting condonement | 15 408 286 | 5 720 251 |

The Municipality incurred interest as a result of late payment of the Eskom, SARS and Auditor General accounts. Fines and penalties was also incurred for late submissions and other incidents of non-compliance.

41. Irregular expenditure

Reconciliation of irregular expenditure

| | | |
|-----------------|------------|-------------|
| Opening balance | 33 897 811 | 178 984 279 |
|-----------------|------------|-------------|

Various expenditure items were identified during the 2010 audit for which adequate supporting evidence could not be provided as proof that all Supply Chain Management Procedures were followed. These matters are currently being investigated and appropriate procedures as required by the MFMA will be implemented based on the findings of the investigations.

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government : SALGA

| | | |
|---------------------------------|----------------|-------------|
| Current year subscription / fee | 2 809 064 | 1 679 477 |
| Amount paid - current year | (1 949 980) | (1 679 477) |
| | 859 084 | - |

Audit fees

| | | |
|---------------------------------|----------------|-------------|
| Opening balance | - | 2 396 066 |
| Current year subscription / fee | 5 727 583 | 3 452 062 |
| Amount paid - current year | (4 765 044) | (3 452 062) |
| Amount paid - previous years | - | (2 396 066) |
| | 962 539 | - |

PAYE, UIF and SDL

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 39 736 199 | 28 649 715 |
| Amount paid - current year | (39 736 199) | (28 649 715) |
| | - | - |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|--------------|--------------|
| 42. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 77 522 503 | 64 758 245 |
| Amount paid - current year | (77 522 503) | (64 758 245) |
| | - | - |

VAT

| | | |
|-------------|------------|------------|
| VAT payable | 52 749 080 | 30 045 576 |
|-------------|------------|------------|

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:
(Currently arrangements with the councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

| 30 June 2012 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|-----------------------|--|--|---------------|
| Councillor MP Hlaka | - | 4 065 | 4 065 |
| Councillor MK Khauoe | 1 387 | 24 992 | 26 379 |
| Councillor NS Mendela | - | 4 226 | 4 226 |
| Councillor GS Nkebe | - | 12 810 | 12 810 |
| Councillor SL Sithole | - | 17 199 | 17 199 |
| | 1 387 | 63 292 | 64 679 |

| 30 June 2011 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---------------------------|--|--|------------|
| Councillor OR Thabanchu | 98 | 866 | 964 |
| Councillor BH Ntsangani | 337 | 124 | 461 |
| Councillor J Douw | - | 72 | 72 |
| Councillor AM Mapane | 25 | 111 | 136 |
| Councillor RA Marumole | 51 | 331 | 382 |
| Councillor RP Moleme | 86 | 111 | 197 |
| Councillor EN Ngalo | 88 | 905 | 993 |
| Councillor PR Pooe | 144 | 144 | 288 |
| Councillor GL Sebuasengwe | 36 | - | 36 |
| Councillor LL Appels | 50 | 490 | 540 |
| Councillor CJ Bester | - | 425 | 425 |
| Councillor I Bondes | - | 134 | 134 |
| Councillor SF Botes | - | 1 290 | 1 290 |
| Councillor MC Dithejane | 17 | 262 | 279 |
| Councillor ME Flathele | 57 | 790 | 847 |
| Councillor EG Hart | 409 | 3 806 | 4 215 |
| Councillor GR Kgosi | 805 | 123 | 928 |
| Councillor LM Kortjas | 366 | 1 427 | 1 793 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|--------------|---------------|
| 42. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Councillor NL Landela | 185 | 143 |
| Councillor JJ Le Grange | 316 | 721 |
| Councillor MMS Lee | 81 | 793 |
| Councillor WJJ Louwrens | - | 1 598 |
| Councillor NM Mafuya | - | 108 |
| Councillor SL Makhale | - | 124 |
| Councillor GN Maleta | 12 | 199 |
| Councillor RA Matsepe | - | 1 316 |
| Councillor CG Mbobo | - | 108 |
| Councillor GJ Mohale | - | 166 |
| Councillor PL Mohoase | - | 240 |
| Councillor EM Mojela | 178 | 448 |
| Councillor GH Moleme | - | 493 |
| Councillor SD Montoedi | 68 | 92 |
| Councillor LM Mothibedi | - | 110 |
| Councillor SL Nakedi | - | 141 |
| Councillor EPJ Nel | 904 | 2 064 |
| Councillor GS Nkebe | - | 31 367 |
| Councillor NP Nyaqela | - | 11 |
| Councillor ST Pitso | 109 | 122 |
| Councillor TS Rammutle | - | 132 |
| Councillor KL Ross | - | 681 |
| Councillor LV Rothman | 1 022 | 377 |
| Councillor JM Sebata | - | 291 |
| Councillor PM Seduku | 351 | 1 687 |
| Councillor RK Sello | - | 190 |
| Councillor MP Sethunya | - | 121 |
| Councillor NW Setuntsa | - | 24 055 |
| Councillor MS Sishuba | 141 | 575 |
| Councillor GF Tladi | 233 | 196 |
| Councillor MAJ Tolomo | - | 148 |
| Councillor TZ Tshoniswa | 356 | 135 |
| Councillor R van Jaarsveld | 433 | 1 074 |
| Councillor LDJ vd Westhuizen | 416 | 849 |
| | 7 374 | 82 286 |
| | | 89 660 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2012 | Highest outstanding amount 2012 | Highest outstanding amount 2011 |
|---------------------------|---------------------------------------|---------------------------------------|
| Councillor OR Thabanchu | - | 2 488 |
| Councillor BH Ntsangani | - | 770 |
| Councillor OM Mogale | - | 15 251 |
| Councillor J Douw | - | 2 710 |
| Councillor AM Mapane | - | 198 |
| Councillor RA Marumole | - | 446 |
| Councillor RP Moleme | - | 208 |
| Councillor EN Ngalo | - | 1 056 |
| Councillor PR Poee | - | 371 |
| Councillor GL Sebuasengwe | - | 867 |
| Councillor LL Appels | - | 833 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|----------------|----------------|
| 42. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Councillor CJ Bester | - | 904 |
| Councillor I Bondes | - | 256 |
| Councillor SF Botes | - | 1 680 |
| Councillor M Coetzee | 7 261 | 1 390 |
| Councillor MC Dithejane | - | 287 |
| Councillor ME Flathele | - | 1 059 |
| Councillor EG Hart | - | 6 372 |
| Councillor GR Kgosi | - | 981 |
| Councillor MP Hlaka | 22 095 | - |
| Councillor LM Kortjas | - | 1 793 |
| Councillor MK Khauoe | 28 600 | - |
| Councillor NL Landela | - | 328 |
| Councillor JJ Le Grange | - | 1 584 |
| Councillor MMS Lee | - | 873 |
| Councillor WJJ Louwrens | - | 2 298 |
| Councillor NM Mafuya | - | 496 |
| Councillor SL Makhale | - | 198 |
| Councillor GN Maleta | - | 285 |
| Councillor MI Mangesi | 2 481 | - |
| Councillor RA Matsepe | 12 185 | 18 053 |
| Councillor CG Mbobo | - | 1 320 |
| Councillor NS Mendela | 6 916 | - |
| Councillor P Moeng | - | 494 |
| Councillor GJ Mohale | - | 190 |
| Councillor PL Mohoase | - | 315 |
| Councillor EM Mojela | - | 671 |
| Councillor GH Moleme | - | 1 831 |
| Councillor SD Montoedi | - | 184 |
| Councillor LM Mothibedi | - | 282 |
| Councillor SL Nakedi | - | 178 |
| Councillor EPJ Nel | - | 8 590 |
| Councillor GS Nkebe | 27 768 | 49 438 |
| Councillor TJ Ntusi | - | 397 |
| Councillor NP Nyaqela | - | 3 917 |
| Councillor ST Pitso | - | 400 |
| Councillor TS Rammutle | - | 418 |
| Councillor KL Ross | - | 3 713 |
| Councillor LV Rothman | - | 1 399 |
| Councillor JM Sebata | - | 781 |
| Councillor PM Seduku | - | 2 190 |
| Councillor RK Sello | - | 202 |
| Councillor MP Sethunya | - | 207 |
| Councillor NW Setuntsa | - | 35 650 |
| Councillor MS Sishuba | - | 1 040 |
| Councillor SL Sithole | 27 488 | - |
| Councillor SP Terblanche | - | 3 193 |
| Councillor GK Tladi | - | 429 |
| Councillor MAJ Tolomo | - | 320 |
| Councillor TZ Tshoniswa | - | 491 |
| Councillor R van Jaarsveld | - | 2 085 |
| Councillor LDJ vd Westhuizen | - | 2 294 |
| | 134 794 | 186 654 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---------------|-------------------|
| 43. Utilisation of Long-term liabilities reconciliation | | |
| Long-term liabilities | 147 051 139 | 163 940 141 |
| Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Refer to appendix A for more detail on long-term liabilities. | | |
| 44. Contingent liabilities | | |
| Guarantee in favour of Telkom | | |
| A general guarantee, ref LDP 179200040, is held by ABSA in favour of Telkom | 22 860 | 22 860 |
| Guarantee in favour of ESKOM | | |
| A guarantee, ref LDP 45881001101, is held by ABSA in favour of Eskom and is secured by account 2069458868. | - | 18 187 200 |
| | 22 860 | 18 210 060 |
| North West Security Services t/a Cetronic Security Services / City of Matlosana | | |
| A contract was cancelled with Cetronic Services. The claim against council is for services delivered after cancellation date. | - | 91 000 |
| Theron Jordaan & Smit / City of Matlosana | | |
| This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm. | 185 166 | 21 084 |
| Francis Behr / City of Matlosana | | |
| Mr. Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500. | 13 500 | 13 500 |
| S Pillay / City of Matlosana | | |
| Me. Shalin Pillay instituted legal action Council for damages suffered. | 240 000 | 240 000 |
| ME Motuang / City of Matlosana | | |
| ME Motuang had summons issued and served for personal injury. The plaintiff apparently stepped into an open manhole and was injured and incurred damages as a result of loss of income. | 70 000 | 100 000 |
| SJ Motors / City of Matlosana | | |
| A summons was brought against the council for the amount of R 29 212.57. SJ Motors is claiming money from the Council for repair fee. | - | 29 213 |
| Mojo's Tent Hiring & Enterprise CC / City of Matlosana | | |
| A letter of demand was sent to the council for payment. | - | 1 132 800 |
| NJ Myburg \ City of Matlosana | | |
| Council is defending summons brought against the Council by plaintiff in lieu of fire damage to plaintiff's property. | 1 007 879 | 1 007 879 |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--|------------|-----------|
| 44. Contingent liabilities (continued) | | |
| IMEC Investments (Pty) Ltd / City of Matlosana Council is defending summons brought against the Council by plaintiff. | - | 329 536 |
| Roadspan Asphalt (Pty) Ltd / City of Matlosana Council is defending summons brought against the Council by the plaintiff. | 174 292 | 174 292 |
| QCK Lezmin 4251 CC / City of Matlosana Council is defending summons brought against the Council by the plaintiff. | 1 309 124 | 1 309 124 |
| River End Trading / City of Matlosana Council is defending summons brought against the Council by the plaintiff. | 87 372 | 87 372 |
| Ke A Dira Construction CC / City of Matlosana Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011. | 17 391 228 | 2 274 704 |
| New Integrated Credit Solutions / City of Matlosana Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS16/2010. | 5 000 000 | 5 000 000 |
| City of Matlosana / Erf 1644, Stilfontein (AJE Williams) Potential unrecoverable cost for legal action against defendant for contraventions of the Klerksdorp Land Use Scheme. | 13 964 | - |
| Rentokil initial (Pty) Ltd / City of Matlosana There is a potential of not recovering the legal cost incurred in defending this case. | 96 801 | - |
| Itumre Building Supply CC / City of Matlosana The City of Matlosana is defending the matter. | 563 816 | - |
| Silver Blade Abattoir (Pty) Ltd / City of Matlosana The case brought forward was the matter of a Certificate of Compliance that needed be obtained by the City Of Matlosana | 200 000 | - |
| MM Moadira / Executive Mayor and City of Matlosana This is a defamation case and is defended. | 4 000 000 | - |
| Deon Schmidt Obo Quelene Schmidt & Michelle Schmidt and CD Koch / City of Matlosana The claim originates from an incident at the Faan Meintjies Reserve. | 100 000 | - |
| Road Mac Surfacing Limited / City of Matlosana | | |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|-----------|------|
| 44. Contingent liabilities (continued) | | |
| In this matter an amount is claimed for retention, interest and costs of the application under Case No: 63454/2011. | 1 040 376 | - |
| Road Mac Surfacing Limited / City of Matlosana | | |
| In this matter an amount is claimed for interest and costs as per Case no : 18152/12 | 4 534 510 | - |
| African Oxygen Limited t/a Afrox / City of Matlosana | | |
| The claimant instituted legal action against the City of Matlosana. | 28 284 | - |

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

45. Statement of comparative and actual information

2012

| | Original budget | Budget adjustments to s28 & s31 of the MFMA | Virement (i.t.o.council approved) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------------|---|---|-------------------------|------------------------|----------------------|---|---|
| Financial Performance | | | | | | | | |
| Property rates | 251 212 440 | 251 212 440 | | 251 212 440 | 183 246 897 | 67 965 543 | 73 % | 73 % |
| Service charges | 909 683 714 | 855 491 135 | | 855 491 135 | 647 801 256 | 207 689 879 | 76 % | 71 % |
| Investment revenue | 3 756 500 | 3 756 500 | | 3 756 500 | 42 848 631 | (39 092 131) | 1 141 % | 1 141 % |
| Transfers recognised - operational | 307 000 000 | 308 236 396 | | 308 236 396 | 352 580 997 | (44 344 601) | 114 % | 115 % |
| Other own revenue | 359 918 409 | 289 249 490 | | 289 249 490 | 136 562 713 | 152 686 777 | 47 % | 38 % |
| Total revenue (excluding capital transfers and contributions) | 1 831 571 063 | 1 707 945 961 | | 1 707 945 961 | 1 363 040 494 | 344 905 467 | 80 % | 74 % |
| Employee costs | (371 757 837) | (380 727 937) | (3 654 690) | (384 382 627) | (392 280 237) | 7 897 610 | 102 % | 106 % |
| Remuneration of councillors | (20 725 097) | (19 225 097) | (4 510) | (19 229 607) | (18 523 436) | (706 171) | 96 % | 89 % |
| Debt impairment | (36 313 025) | (36 313 025) | | (36 313 025) | (130 597 742) | 94 284 717 | 360 % | 360 % |
| Depreciation and asset impairment | (180 361 966) | (166 161 966) | (1 403 900) | (167 565 866) | (157 705 694) | (9 860 172) | 94 % | 87 % |
| Finance charges | (18 914 824) | (21 107 019) | 599 230 | (20 507 789) | (19 402 163) | (1 105 626) | 95 % | 103 % |
| Materials and bulk purchases | (496 280 517) | (514 980 517) | - | (514 980 517) | (476 253 910) | (38 726 607) | 92 % | 96 % |
| Other expenditure | (707 190 654) | (569 403 257) | 4 463 870 | (564 939 387) | (271 880 064) | (293 059 323) | 48 % | 38 % |
| Total expenditure | (1 831 543 920) | (1 707 918 818) | | -(1 707 918 818) | (1 466 643 246) | (241 275 572) | 86 % | 80 % |
| Surplus/(Deficit) for the year | 27 143 | 27 143 | | 27 143 | (103 602 752) | 103 629 895 | (381 692)% | (381 692)% |
| Capital expenditure and funds sources | | | | | | | | |
| Grants and internally generated funds. | 233 593 696 | 233 593 696 | | 233 593 696 | 113 588 005 | 120 005 691 | 49 % | 49 % |

Refer to appendix E1 and E2 for detailed listings.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2012

Detailed Income statement

| Figures in Rand | Note(s) | 2012 | 2011 |
|--|---------|------------------------|------------------------|
| Revenue | | | |
| Rendering of services | | 4 839 | 48 351 |
| Property rates | 18 | 183 246 897 | 181 286 149 |
| Service charges | 19 | 645 295 263 | 582 695 319 |
| Levies | | 2 505 993 | 2 269 838 |
| Rental of facilities and equipment | | 8 536 746 | 5 649 498 |
| Fines | | 6 557 462 | 8 387 312 |
| Licences and permits | | 4 495 881 | 3 823 203 |
| Government grants & subsidies | 20 | 352 580 997 | 350 041 177 |
| Market dues | | 13 934 507 | 12 276 215 |
| Miscellaneous other revenue | | 32 586 | 398 561 |
| Commissions received | | 9 269 531 | 8 767 443 |
| Royalties received | | 1 150 195 | 1 740 078 |
| Rental income | | 745 992 | 78 300 |
| Discount received | | 330 738 | 398 782 |
| Recoveries | | 3 002 519 | 1 529 600 |
| Other income | | 18 610 765 | 38 397 526 |
| Reconnections | | 37 605 973 | 18 185 444 |
| Transfer for reserves and funds | | 32 284 979 | 144 741 554 |
| Interest received - investment | 25 | 42 848 631 | 58 725 094 |
| Total Revenue | | 1 363 040 494 | 1 419 439 444 |
| Expenditure | | | |
| Personnel | 22 | (392 280 237) | (397 826 696) |
| Remuneration of councillors | 23 | (18 523 436) | (16 747 815) |
| Depreciation and amortisation | 26 | (157 705 694) | (175 297 775) |
| Impairment loss/ Reversal of impairments | | - | 28 127 560 |
| Finance costs | 27 | (19 402 163) | (19 460 557) |
| Debt impairment | 24 | (130 597 742) | (303 541 507) |
| Repairs and maintenance | | (31 637 557) | (73 850 002) |
| Bulk purchases | 30 | (476 253 910) | (405 844 890) |
| Contracted services | 29 | (54 626 526) | (36 892 302) |
| General Expenses | 21 | (185 615 981) | (220 298 558) |
| Total Expenditure | | (1 466 643 246) | (1 621 632 542) |
| Deficit for the year | | (103 602 752) | (202 193 098) |

The supplementary information presented does not form part of the annual financial statements and is unaudited

City of Matlosana
Appendix A

Schedule of external loans as at 30 June 2012

| | Loan Number | Redeemable | Balance at 30 June 2011 | Received during the period | Redeemed written off during the period | Balance at 30 June 2012 |
|-------------------------------|-------------|-------------|-------------------------------|----------------------------------|---|-------------------------------|
| | | | Rand | Rand | Rand | Rand |
| Development Bank of SA | | | | | | |
| DBSA @ 12% | JBC09588 | 30-Sep-2014 | 14 778 515 | - | 3 730 153 | 11 048 362 |
| DBSA @ 15% | NW10959 | 30-Sep-2017 | 4 847 463 | - | 482 318 | 4 365 145 |
| DBSA @ 15,25% | NW11182 | 30-Sep-2018 | 5 448 037 | - | 427 647 | 5 020 390 |
| DBSA @ 15,60% | NW13637 | 30-Sep-2020 | 3 270 489 | - | 166 597 | 3 103 892 |
| DBSA @ prime | NW13874/1 | 30-Sep-2019 | 4 444 444 | - | 555 556 | 3 888 888 |
| DBSA @ prime | NW13874/2 | 30-Jun-2019 | 14 998 125 | - | - | 14 998 125 |
| DBSA @ 11,50% | 100395 | 30-Jun-2013 | 4 815 068 | - | 2 272 340 | 2 542 728 |
| DBSA @ 11,20% | 101297/1 | 30-Jun-2019 | 20 285 950 | - | 1 673 512 | 18 612 438 |
| DBSA @ 11,20% | 101297/2 | 30-Jun-2019 | 25 384 104 | - | 2 094 090 | 23 290 014 |
| DBSA @ 15% | 10556/101 | 31-Mar-2018 | 8 606 609 | - | 762 293 | 7 844 316 |
| DBSA @ 15,25% | 10906/101 | 30-Mar-2019 | 3 741 481 | - | 237 220 | 3 504 261 |
| DBSA @ 15,25% | 10912/102 | 20-Sep-2019 | 5 540 969 | - | 351 313 | 5 189 656 |
| DBSA @ 15,25% | 10913/102 | 30-Sep-2019 | 4 264 570 | - | 270 385 | 3 994 185 |
| DBSA @ 15% | 9740/102 | 31-Mar-2014 | 526 457 | - | 158 636 | 367 821 |
| DBSA @ 15% | 9741/102 | 31-Mar-2015 | 544 541 | - | 164 085 | 380 456 |
| DBSA @ 15% | 9743/102 | 31-Mar-2015 | 1 275 283 | - | 273 625 | 1 001 658 |
| DBSA @ 15% | 9746/102 | 31-Mar-2015 | 1 412 671 | - | 262 443 | 1 150 228 |
| DBSA @ 12,25% | 103677/1 | 01-Nov-2010 | 34 507 309 | - | 1 093 577 | 33 413 732 |
| | | | 158 692 085 | - | 14 975 790 | 143 716 295 |
| Annuity loans | | | | | | |
| INCA @ 12,25% | KLER-00-001 | 31-Dec-2013 | 5 248 056 | - | 1 913 212 | 3 334 844 |
| | | | 5 248 056 | - | 1 913 212 | 3 334 844 |
| Total external loans | | | | | | |
| Development Bank of SA | | | 158 692 085 | - | 14 975 790 | 143 716 295 |
| Annuity loans | | | 5 248 056 | - | 1 913 212 | 3 334 844 |
| | | | 163 940 141 | - | 16 889 002 | 147 051 139 |

City of Matlosana
City of Matlosana
Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Depreciation Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|----------------------|----------------------------|---------------------------|
| Land and buildings | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 152 069 122 | - | - | - | - | 152 069 122 | - | - | - | - | 152 069 122 |
| Buildings (Separate for AFS purposes) | 146 857 414 | 436 830 | - | - | 935 383 | 148 229 627 | (38 394 255) | - | (4 722 958) | (43 117 213) | 105 112 414 |
| | 298 926 536 | 436 830 | - | - | 935 383 | 300 298 749 | (38 394 255) | - | (4 722 958) | (43 117 213) | 257 181 536 |
| Infrastructure | | | | | | | | | | | |
| Roads, Pavements & Bridges | 1 071 106 977 | 14 102 465 | - | - | 10 437 385 | 1 095 646 827 | (298 891 739) | - | (66 778 614) | (365 670 353) | 729 976 474 |
| Electricity Reticulation | 262 093 942 | 4 505 828 | - | - | 42 707 881 | 309 307 651 | (48 407 483) | - | (11 290 628) | (59 698 111) | 249 609 540 |
| Water Reticulation | 435 315 533 | - | - | - | 30 678 824 | 465 994 357 | (98 735 634) | - | (21 941 016) | (120 676 650) | 345 317 707 |
| Sewerage purification | 568 929 259 | 37 424 588 | - | - | 21 449 751 | 627 803 598 | (128 466 294) | - | (29 643 484) | (158 109 778) | 469 693 820 |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | 5 845 369 | 51 990 | - | - | - | 5 897 359 | (938 602) | - | (292 702) | (1 231 304) | 4 666 055 |
| Security systems | 5 664 732 | 216 146 | - | - | - | 5 880 878 | (4 175 839) | - | (798 136) | (4 973 975) | 906 903 |
| | 2 348 955 812 | 56 301 017 | - | - | 105 273 841 | 2 510 530 670 | (579 615 591) | - | (130 744 580) | (710 360 171) | 1 800 170 499 |
| Community Assets | | | | | | | | | | | |
| Parks & gardens | 17 807 618 | 209 889 | - | - | - | 18 017 507 | (7 925 744) | - | (731 358) | (8 657 102) | 9 360 405 |
| Buildings | 74 228 526 | 4 017 873 | - | - | 9 761 230 | 88 007 629 | (23 566 731) | - | (2 205 319) | (25 772 050) | 62 235 579 |
| | 92 036 144 | 4 227 762 | - | - | 9 761 230 | 106 025 136 | (31 492 475) | - | (2 936 677) | (34 429 152) | 71 595 984 |

City of Matlosana
City of Matlosana
Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Depreciation Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|----------------------|----------------------------|---------------------------|
| Heritage assets | | | | | | | | | | | |
| Museum | 242 839 | 8 | - | - | - | 242 847 | (84 725) | - | - | (84 725) | 158 122 |
| Statues | 366 236 | - | - | - | - | 366 236 | - | - | - | - | 366 236 |
| Historical buildings | 713 407 | - | - | - | - | 713 407 | - | - | - | - | 713 407 |
| Historical sites | 19 591 | - | - | - | - | 19 591 | - | - | - | - | 19 591 |
| Paintings and sculptures | 349 736 | 7 559 | - | - | - | 357 295 | - | - | - | - | 357 295 |
| | 1 691 809 | 7 567 | - | - | - | 1 699 376 | (84 725) | - | - | (84 725) | 1 614 651 |
| Other assets | | | | | | | | | | | |
| General vehicles | 113 994 047 | 6 771 540 | - | - | 751 265 | 121 516 852 | (60 747 777) | - | (6 422 495) | (67 170 272) | 54 346 580 |
| Plant & equipment | 111 546 109 | 314 197 | - | - | 155 373 | 112 015 679 | (81 919 085) | - | (7 943 115) | (89 862 200) | 22 153 479 |
| Furniture & Fittings | 29 171 356 | 484 421 | - | - | - | 29 655 777 | (26 212 181) | - | (561 028) | (26 773 209) | 2 882 568 |
| Office Equipment | 36 022 420 | 917 081 | - | - | - | 36 939 501 | (25 984 877) | - | (3 490 402) | (29 475 279) | 7 464 222 |
| Containers | 10 330 655 | - | - | - | - | 10 330 655 | (7 004 736) | - | (739 557) | (7 744 293) | 2 586 362 |
| Emergency | 1 745 751 | 266 | - | - | - | 1 746 017 | (686 321) | - | (122 710) | (809 031) | 936 986 |
| Watercraft | 332 633 | - | - | - | - | 332 633 | (8 568) | - | (22 176) | (30 744) | 301 889 |
| | 303 142 971 | 8 487 505 | - | - | 906 638 | 312 537 114 | (202 563 545) | - | (19 301 483) | (221 865 028) | 90 672 086 |
| Total property plant and equipment | | | | | | | | | | | |
| Land and buildings | 298 926 536 | 436 830 | - | - | 935 383 | 300 298 749 | (38 394 255) | - | (4 722 958) | (43 117 213) | 257 181 536 |
| Infrastructure | 2 348 955 812 | 56 301 017 | - | - | 105 273 841 | 2 510 530 670 | (579 615 591) | - | (130 744 580) | (710 360 171) | 1 800 170 499 |
| Community Assets | 92 036 144 | 4 227 762 | - | - | 9 761 230 | 106 025 136 | (31 492 475) | - | (2 936 677) | (34 429 152) | 71 595 984 |
| Heritage assets | 1 691 809 | 7 567 | - | - | - | 1 699 376 | (84 725) | - | - | (84 725) | 1 614 651 |
| Other assets | 303 142 971 | 8 487 505 | - | - | 906 638 | 312 537 114 | (202 563 545) | - | (19 301 483) | (221 865 028) | 90 672 086 |
| | 3 044 753 272 | 69 460 681 | - | - | 116 877 092 | 3 231 091 045 | (852 150 591) | - | (157 705 698) | (1 009 856 289) | 2 221 234 756 |
| Investment properties | | | | | | | | | | | |
| Office park | 134 833 400 | - | - | - | - | 134 833 400 | - | - | - | - | 134 833 400 |
| | 134 833 400 | - | - | - | - | 134 833 400 | - | - | - | - | 134 833 400 |

City of Matlosana
City of Matlosana
Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Depreciation Rand | Closing Balance Rand | Carrying value Rand |
|-----------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|----------------------|----------------------------|---------------------------|
| Total | | | | | | | | | | | |
| Land and buildings | 298 926 536 | 436 830 | - | - | 935 383 | 300 298 749 | (38 394 255) | - | (4 722 958) | (43 117 213) | 257 181 536 |
| Infrastructure | 2 348 955 812 | 56 301 017 | - | - | 105 273 841 | 2 510 530 670 | (579 615 591) | - | (130 744 580) | (710 360 171) | 1 800 170 499 |
| Community Assets | 92 036 144 | 4 227 762 | - | - | 9 761 230 | 106 025 136 | (31 492 475) | - | (2 936 677) | (34 429 152) | 71 595 984 |
| Heritage assets | 1 691 809 | 7 567 | - | - | - | 1 699 376 | (84 725) | - | - | (84 725) | 1 614 651 |
| Other assets | 303 142 971 | 8 487 505 | - | - | 906 638 | 312 537 114 | (202 563 545) | - | (19 301 483) | (221 865 028) | 90 672 086 |
| Investment properties | 134 833 400 | - | - | - | - | 134 833 400 | - | - | - | - | 134 833 400 |
| | 3 179 586 672 | 69 460 681 | - | - | 116 877 092 | 3 365 924 445 | (852 150 591) | - | (157 705 698) | (1 009 856 289) | 2 356 068 156 |

City of Matlosana
Appendix C

| Segmental analysis of property, plant and equipment as at 30 June 2012 | |
|--|---------------------------------|
| Cost/Revaluation | Accumulated Depreciation |
| <p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p> | <p>Accumulated Depreciation</p> |

| | Opening Balance | Additions | Disposals | Revaluations | Other changes, movements | Closing Balance | Opening Balance | Disposals | Depreciation | Closing Balance | Carrying value |
|---------------------------------------|----------------------|-------------------|-----------|--------------|--------------------------|----------------------|----------------------|-----------|----------------------|------------------------|----------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Municipality | | | | | | | | | | | |
| Health/Clinics | 6 460 978 | 1 947 | - | - | - | 6 462 925 | (5 462 663) | - | (60 113) | (5 522 776) | 940 149 |
| Comm. & Social/Libraries and archives | 143 335 778 | 5 189 006 | - | - | 9 761 230 | 158 286 014 | (92 348 859) | - | (57 971 816) | (150 320 675) | 7 965 339 |
| Housing | 9 541 203 | 14 755 | - | - | - | 9 555 958 | (4 738 108) | - | (591 788) | (5 329 896) | 4 226 062 |
| Public Safety/Police | 58 390 543 | 298 920 | - | - | 751 265 | 59 440 728 | (27 478 215) | - | (3 550 824) | (31 029 039) | 28 411 689 |
| council general | 41 276 387 | 6 772 056 | - | - | 751 345 | 48 799 788 | (6 489 676) | - | (3 895 675) | (10 385 351) | 38 414 437 |
| City Civil Engineer | 2 199 134 872 | 51 490 406 | - | - | 62 870 323 | 2 313 495 601 | (576 744 194) | - | (81 719 989) | (658 464 183) | 1 655 031 418 |
| City Electrical Engineer | 321 911 978 | 4 630 544 | - | - | 42 707 881 | 369 250 403 | (84 992 365) | - | (4 588 068) | (89 580 433) | 279 669 970 |
| Corporate services | 333 361 296 | 222 471 | - | - | - | 333 583 767 | (23 269 307) | - | (1 841 612) | (25 110 919) | 308 472 848 |
| Financial section | 31 171 885 | 696 306 | - | - | - | 31 868 191 | (16 162 228) | - | (2 246 412) | (18 408 640) | 13 459 551 |
| Market | 30 984 056 | 143 900 | - | - | - | 31 127 956 | (13 161 940) | - | (1 013 534) | (14 175 474) | 16 952 482 |
| Local economic development | 4 017 693 | 370 | - | - | 35 048 | 4 053 111 | (1 303 033) | - | (225 865) | (1 528 898) | 2 524 213 |
| | 3 179 586 669 | 69 460 681 | - | - | 116 877 092 | 3 365 924 442 | (852 150 588) | - | (157 705 696) | (1 009 856 284) | 2 356 068 158 |
| Municipal Owned Entities | | | | | | | | | | | |
| Total | | | | | | | | | | | |
| Municipality | 3 179 586 669 | 69 460 681 | - | - | 116 877 092 | 3 365 924 442 | (852 150 588) | - | (157 705 696) | (1 009 856 284) | 2 356 068 158 |
| | 3 179 586 669 | 69 460 681 | - | - | 116 877 092 | 3 365 924 442 | (852 150 588) | - | (157 705 696) | (1 009 856 284) | 2 356 068 158 |

City of Matlosana
Appendix D

June 2012

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|---------------------------------|------------------------------------|------------------------------------|---|-------------------------------|------------------------------------|------------------------------------|
| Municipality | | | | | | |
| 30 545 299 | 143 272 136 | (112 726 837) | Executive & Council/Mayor and Council | 14 108 057 | 119 926 677 | (105 818 620) |
| 537 944 215 | 238 429 540 | 299 514 675 | Finance & Admin/Finance | 493 235 846 | 191 829 127 | 301 406 719 |
| 12 511 024 | 28 175 020 | (15 663 996) | Planning and Development/Economic Development/Plan | 15 584 216 | 21 063 737 | (5 479 521) |
| 251 603 | 7 331 985 | (7 080 382) | Health/Clinics | 49 263 | 6 375 958 | (6 326 695) |
| 119 050 839 | 166 400 272 | (47 349 433) | Comm. & Social/Libraries and archives | 122 375 007 | 173 511 254 | (51 136 247) |
| 2 173 847 | 27 757 761 | (25 583 914) | Housing | 3 026 665 | 7 256 534 | (4 229 869) |
| 94 803 147 | 133 179 912 | (38 376 765) | Public Safety/Police | 78 341 480 | 135 143 984 | (56 802 504) |
| 270 510 345 | 438 717 301 | (168 206 956) | Road Transport/Roads | 16 103 987 | 125 879 452 | (109 775 465) |
| 395 535 628 | 423 168 126 | (27 632 498) | Electricity /Electricity Distribution | 419 890 935 | 425 908 401 | (6 017 466) |
| 47 697 673 | 57 820 915 | (10 123 242) | Other/Air Transport | 200 325 038 | 259 748 122 | (59 423 084) |
| 1 511 023 620 | 1 664 252 968 | (153 229 348) | | 1 363 040 494 | 1 466 643 246 | (103 602 752) |
| Municipal Owned Entities | | | | | | |
| Other charges | | | | | | |
| 1 511 023 620 | 1 664 252 968 | (153 229 348) | Municipality | 1 363 040 494 | 1 466 643 246 | (103 602 752) |
| 1 511 023 620 | 1 664 252 968 | (153 229 348) | Total | 1 363 040 494 | 1 466 643 246 | (103 602 752) |

City of Matlosana

Appendix E(1)

June 2012

**Actual versus Budget (Revenue and Expenditure) for
the year ended 30 June 2012**

| | Act. Bal. Rand | Adjusted budget Rand | Variance Rand | Var |
|--|---------------------------|---------------------------------|--------------------------|--------------------|
| Revenue | | | | |
| Rendering of services | 4 839 | - | 4 839 | - |
| Property rates | 183 246 897 | 251 212 440 | (67 965 543) | (27.1) |
| Service charges | 645 295 262 | 855 491 135 | (210 195 873) | (24.6) |
| Levies | 2 505 993 | - | 2 505 993 | - |
| Rental of facilities and equipment | 8 536 745 | 11 552 000 | (3 015 255) | (26.1) |
| Fines | 6 557 462 | 9 979 318 | (3 421 856) | (34.3) |
| Licences and permits | 4 495 881 | 7 876 734 | (3 380 853) | (42.9) |
| Government grants & subsidies | 352 580 997 | 308 236 396 | 44 344 601 | 14.4 |
| Market dues | 13 934 507 | 14 509 992 | (575 485) | (4.0) |
| Other income | 103 033 281 | 245 331 446 | (142 298 165) | (58.0) |
| Interest received - investment | 42 848 630 | 3 756 500 | 39 092 130 | 1 040.7 |
| | 1 363 040 494 | 1 707 945 961 | (344 905 467) | (20.2) |
| Expenses | | | | |
| Personnel | (392 280 237) | (384 382 627) | (7 897 610) | 2.1 |
| Remuneration of councillors | (18 523 436) | (19 229 607) | 706 171 | (3.7) |
| Depreciation | (157 705 694) | (167 565 866) | 9 860 172 | (5.9) |
| Finance costs | (19 402 164) | (20 507 789) | 1 105 625 | (5.4) |
| Debt impairment | (130 597 742) | (36 313 025) | (94 284 717) | 259.6 |
| Repairs and maintenance - General | (31 637 558) | (56 386 102) | 24 748 544 | (43.9) |
| Bulk purchases | (476 253 910) | (514 980 517) | 38 726 607 | (7.5) |
| Contracted Services | (54 626 520) | (49 996 993) | (4 629 527) | 9.3 |
| General Expenses | (185 615 988) | (458 556 292) | 272 940 304 | (59.5) |
| | (1 466 643 249) | (1 707 918 818) | 241 275 569 | (14.1) |
| Net surplus/ (deficit) for the year | (103 602 755) | 27 143 | (103 629 898) | (381 792.4) |

City of Matlosana
Appendix E(2)
June 2012

**Budget Analysis of Capital Expenditure
as at 30 June 2011**

| | Additions | Revised Budget | Variance | Variance | Explanation of significant |
|---|--------------------|-----------------------|--------------------|-----------------|---|
| | Rand | Budget | Rand | % | variances from budget |
| | | Rand | | | |
| Municipality | | | | | |
| Land and Buildings : Buildings | 471 878 | 3 461 325 | 2 989 447 | | 86 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Electricity networks | 46 113 375 | 66 594 598 | 20 481 223 | | 31 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Roads and stormwater | 21 970 899 | 80 784 855 | 58 813 956 | | 73 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Water networks | 17 179 993 | 25 062 988 | 7 882 995 | | 31 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Sewerage networks | 11 967 472 | 30 174 254 | 18 206 782 | | 60 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Taxiways | 51 990 | 60 000 | 8 010 | | 13 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Infrastructure : Security systems | 216 146 | 404 440 | 188 294 | | 47 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Community assets : Buildings | 5 994 238 | 7 427 308 | 1 433 070 | | 19 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Community assets : Parks and recreation | 375 668 | 701 000 | 325 332 | | 46 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Heritage assets : Paintings | 7 500 | 7 500 | - | | - |
| Other assets : Office equipment | 768 554 | 3 190 299 | 2 421 745 | | 76 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Other assets : Furniture | 399 347 | 2 478 590 | 2 079 243 | | 84 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Other assets : Containers | - | - | - | | - |
| Other assets : Emergency equipment | - | - | - | | - |
| Other assets : Vehicles | 751 265 | 1 560 000 | 808 735 | | 52 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Other assets : Watercraft | - | - | - | | - |
| Other assets : Plant and equipment | 7 062 478 | 11 686 539 | 4 624 061 | | 40 Underspending due to delays in supply chain process for grant funded projects and cash flow restrictions on council funded projects |
| Security systems | - | - | - | | - |
| Community assets | - | - | - | | - |
| | 113 330 803 | 233 593 696 | 120 262 893 | 51 | |

City of Matlosana

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2012

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|----------------|--|--------------------|--------|--------|-----|-----------------------|--------|--------|--------|---------------------------------------|--|--------------------------|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | | | |
| MIG | National Treasury | 26 894 | 38 049 | 35 666 | - | 11 929 | 14 510 | 10 380 | 13 327 | | Yes | |
| Nersa | National Treasury | - | - | - | - | - | - | - | - | | Yes | |
| FMG | National Treasury | 1 250 | - | - | - | 286 | 279 | 263 | 1 011 | | Yes | |
| DWAF | National Treasury | - | - | - | - | - | - | - | - | | Yes | |
| MSIG | National Treasury | 790 | - | - | - | 27 | 107 | 271 | 76 | | Yes | |
| EPWP | National Treasury | - | 861 | - | 874 | - | - | - | - | | Yes | |
| Fire | Provincial Treasury | - | 1 200 | - | - | - | 27 | 27 | 751 | | Yes | |
| Library | Provincial Treasury | - | 400 | - | - | 41 | 23 | - | 287 | | Yes | |
| DME | National Treasury | 3 735 | 2 492 | 2 492 | - | - | 258 | - | - | | | |
| | | 32 669 | 43 002 | 38 158 | 874 | 12 283 | 15 204 | 10 941 | 15 452 | | | |

The amounts above are in R '000